



May 16, 2014

Mr. D.B. Heusser, City Manager
City of Selma
1710 Tucker Street
Selma, CA 93662

Dear Mr. Heusser:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 4, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Selma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 21, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 4, 2014. Subsequently, the Agency requested a Meet and Confer session on one of the determinations made by Finance. The Meet and Confer session was held on April 17, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination being disputed.

During our initial review, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, the funding source for Item No. 1 had been reclassified to Other Funds in the amount of \$191,686. Based upon further review during the Meet and Confer process, the follow adjustments are being made:

- Item No. 1 – 2010A Tax Allocation Bonds in the amount of \$329,841. This item is an enforceable obligation for the ROPS 14-15A period. The Agency requests \$329,841 from the RPTTF; however, Finance had reclassified \$191,686 to Other Funds. Finance no longer reclassifies this item to Other Funds. Finance initially reclassified this item to Other Funds because the obligation does not require payment from property tax revenues and the Agency has \$191,686 in available Other Funds. During the Meet and Confer process, the Agency contended that the Other Funds are restricted as collateral for or repayment of a United States Department of Agriculture (USDA) loan executed February 2, 2001. Based on further review of the USDA Loan Resolution, the revenues generated from the facility financed by the loan may only be used for expenses directly incurred by the facility. Therefore, Finance no longer reclassifies \$191,686 of this item to Other Funds and the full amount for the item will be funded from the RPTTF.

- Item No. 2 – Industrial Development Bond in the amount of \$132,000. This item is an enforceable obligation for the ROPS 14-15A period. The Agency requests \$132,000 from the RPTTF; however, Finance is reclassifying \$132,000 to Other Funds. The obligation does not require payment from property tax revenues and the Agency has \$191,686 in available Other Funds. During the Meet and Confer process, the Agency contended that the Other Funds are restricted as collateral for or repayment of this USDA loan. Based on further review of the USDA Loan Resolution, Section 10 states that the revenues generated from the facility financed by the loan may only be used for expenses directly incurred by the facility, including debt service. Therefore, Finance is reclassifying \$132,000 of this item to Other Funds and \$59,686 in Other Funds continues to be available for future debt service payments of this item.

Although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d), Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$503,766 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	510,766
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 635,766
Total RPTTF requested for non-administrative obligations	510,766
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 2	(132,000)
Total RPTTF authorized for non-administrative obligations	\$ 378,766
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 503,766
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 503,766

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Justyn Howard
Assistant Program Budget Manager

cc: Mr. Neal E. Costanzo, City Attorney, City of Selma
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office